

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Fremont Township	County Isabella County
Fiscal Year End March 31, 2007	Opinion Date September 12, 2007	Date Audit Report Submitted to State SEPTEMBER 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

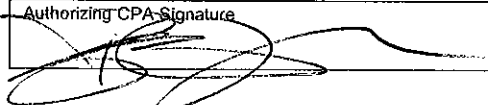


Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). **CASH BASIS**
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Page, Olson & Company, P.C., CPA's		Telephone Number 989-773-5494	
Street Address 2865 South Lincoln Road - P.O. Box 368		City Mount Pleasant	State MI
Zip 48804			
Authorizing CPA Signature 		Printed Name Bobbie Jo Marr	License Number 1101026172

FREMONT TOWNSHIP, ISABELLA COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

FREMONT TOWNSHIP, ISABELLA COUNTY
YEAR ENDED MARCH 31, 2007

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FREMONT TOWNSHIP, ISABELLA COUNTY
TOWNSHIP OFFICIALS
YEAR ENDED MARCH 31, 2007

SUPERVISOR

Gerad Himebaugh

CLERK

John Schimmelmann

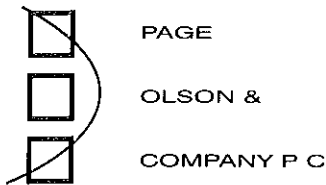
TREASURER

Shirlee Van Bonn

TRUSTEES

Gary Curtiss

Patricia Hohlbein



INDEPENDENT AUDITORS' REPORT

Septmeber 12, 2007

Township Board
Fremont Township
Isabella County, Michigan

We have audited the accompanying statements of assets and liabilities arising from cash transactions of the Township of Fremont as of March 31, 2007, and the related statement of revenue collected and expenditures paid for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the management of the Township of Fremont. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township of Fremont has a population of less than 4,000 people and is therefore required by Act 46, Public Acts of 1996 of the State of Michigan, to have an independent audit only biennially. The preceding year has thus not been audited; however, we have performed various tests of the opening balances.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

As described in Note 1-C, the Township prepared these financial statements using the minimum accounting practices prescribed by the Michigan Department of Treasury to demonstrate compliance with the State's accounting and budget laws, which practices differ from accounting principles generally accepted in the United States of America. The differences in presentation allowed by the State and that of accounting principles generally accepted in the United States of America are also described in Note 1-C.

Township Board
Fremont Township
Isabella County, Michigan

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the Township of Fremont as of March 31, 2007 or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statements do present fairly the assets, liabilities, and cash basis fund balance of the individual funds of the Township of Fremont as of March 31, 2007, arising from cash transactions, and its revenue collected, expenditures paid, and changes in cash basis fund balance for the year ended, on the basis of accounting and presentation described in Note 1-C.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The Other Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The General Fixed Assets Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olson & Company

FREMONT TOWNSHIP, ISABELLA COUNTY
STATEMENT OF ASSETS AND LIABILITIES ARISING
FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
MARCH 31, 2007

Statement I

	General Fund	Fire Fund	First Response Fund	Non-Major Governmental Funds	Total
Assets					
Cash and Cash Equivalents	\$ 230,272	\$ 18,586	\$ 41,743	\$ 6,732	\$ 297,333
Certificates of Deposit	26,987	-	-	-	26,987
Due From Other Funds	-	322	250	-	572
Total Assets	\$ 257,259	\$ 18,908	\$ 41,993	\$ 6,732	\$ 324,892
Liabilities					
Payroll Taxes Payable	\$ 153	\$ 69	\$ -	\$ 46	\$ 268
Due To Other Funds	572	-	-	-	572
Community Building Security Deposits	1,290	-	-	-	1,290
Total Liabilities	2,015	69	-	46	2,130
Fund Balances					
Reserved	-	18,839	41,993	6,686	67,518
Unreserved - Undesignated	255,244	-	-	-	255,244
Total Fund Balance	255,244	18,839	41,993	6,686	322,762
Total Liabilities and Fund Balance	\$ 257,259	\$ 18,908	\$ 41,993	\$ 6,732	\$ 324,892

The accompanying notes are an integral part of the financial statements.

FREMONT TOWNSHIP, ISABELLA COUNTY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES
PAID, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2007

Statement II

Revenue	Other Non-				Total
	General	Fire	First Response	Major Governmental	
Property Taxes	\$ 39,612	\$33,249	\$ 16,621	\$ -	\$ 89,482
Intergovernmental Revenue	97,593	288	-	966	98,847
Interest Earnings	6,224	-	92	-	6,316
Charges for Services	6,778	500	5,800	975	14,053
Rents and Royalties	9,440	-	-	16	9,456
Donations	-	700	-	4,000	4,700
Reimbursements	811	1,940	-	-	2,751
Miscellaneous	83	1,170	675	-	1,928
Total Revenue	160,541	37,847	23,188	5,957	227,533
Expenditures					
GENERAL GOVERNMENT					
Township Board	18,790	-	-	-	18,790
Supervisor	6,010	-	-	-	6,010
Assessor	6,667	-	-	-	6,667
Elections	5,081	-	-	-	5,081
Clerk	8,562	-	-	-	8,562
Board of Review	630	-	-	-	630
Treasurer	12,388	-	-	-	12,388
Building and Grounds	21,693	-	-	-	21,693
Cemetery	22,500	-	-	-	22,500
Total General Government	102,321	-	-	-	102,321
PUBLIC SAFETY					
	-	38,080	12,192	966	51,238
PUBLIC WORKS					
Highways and Streets	10,859	-	-	-	10,859
Right of Way	3,902	-	-	-	3,902
Street Lights	3,445	-	-	-	3,445
Drains at Large	124	-	-	-	124
Total Public Works	18,330	-	-	-	18,330

The accompanying notes are an integral part of the financial statements.

FREMONT TOWNSHIP, ISABELLA COUNTY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES
PAID, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2007

Statement II

	General	Fire	Response	Other Non-Major Governmental	Total
Expenditures (Continued)					
PLANNING AND ZONING	\$ -	\$ -	\$ -	\$ 3,147	\$ 3,147
CULTURE AND RECREATION					
Library					
Utilities	2,037	-	-	-	2,037
Rent	2,700	-	-	-	2,700
Parks	1,350	-	-	-	1,350
Total Culture and Recreation	6,087	-	-	-	6,087
OTHER FUNCTIONS					
Fringe Benefits	7,469	-	-	-	7,469
Insurance Not Charged of Specific Activities	7,830	-	-	-	7,830
Total Other Functions	15,299	-	-	-	15,299
Total Expenditures	142,037	38,080	12,192	4,113	196,422
Excess Revenue Collected Over (Under)					
Expenditures Paid	18,504	(233)	10,996	1,844	31,111
Other Financing Sources (Uses)					
Operating Transfers Out	(5,000)	-	-	-	(5,000)
Operating Transfers In	-	5,000	-	-	5,000
Total Other Financing Sources (Uses)	(5,000)	5,000	-	-	-
Excess Revenue Collected Over (Under)					
Expenditures Paid and Other Financing Uses	13,504	4,767	10,996	1,844	31,111
Fund Balance - April 1	241,740	14,072	30,997	4,842	291,651
Fund Balance - March 31	\$ 255,244	\$ 18,839	\$ 41,993	\$ 6,686	\$ 322,762

The accompanying notes are an integral part of the financial statements.

FREMONT TOWNSHIP, ISABELLA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2007

Statement III

Assets

Cash and cash equivalents	\$ <u>1</u>
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Liabilities

Undistributed Taxes	\$ <u>1</u>
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FREMONT TOWNSHIP, ISABELLA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

Statement IV

ADDITIONS

Collections:	
Property Taxes	\$ <u>1,053,488</u>

DEDUCTIONS

Disbursements:	
Distributed Taxes	<u>1,053,487</u>

Change in Net Assets	1
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Net Assets - April 1	<u>-</u>
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Net Assets - March 31	\$ <u>1</u>
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The accompanying notes are an integral part of the financial statements.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fremont Township is a general law Michigan township with a population of less than 4,000 people. The Township is governed by a five member board of officials elected by the Township voters.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding operational and financial relationship with the Township. Based upon the application of this criteria there were no other units to be included in the financial statements.

B. FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures as appropriate. The Township reports the following major funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Fire Fund* is used to account for the special fire millage. The fund accounts for the volunteer fire department of Fremont Township.

The *First Response Fund* is used to record earmarked revenue set aside by the Township for the purpose of providing emergency services.

The Township reports the following non-major funds:

The *Liquor Law Enforcement Fund* is used to account for activities related to liquor law enforcement.

The *Planning and Zoning Commission Fund* is used to account for earmarked revenue set aside for local planning purposes.

Additionally, the Township reports the following fund types:

The *Current Property Tax Collections Fund* is used to account for assets held by the Township as an agent for individuals, other governments, and/or other funds.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING AND PRESENTATION

The accounting books and records of the Township of Fremont are maintained on a cash basis of accounting during the year and the financial statements have been prepared directly from these books and records. The financial statements do not, therefore, give effect to accounts receivable, accounts payable, and accrued items. Additionally, it does not give effect to the recording of capital assets or related depreciation or accumulated depreciation. Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments sets forth the required financial reporting formats for local governments in accordance with generally accepted accounting principles. The Local Audit and Finance Division of the Michigan Department of Treasury responsible for overseeing local unit compliance has determined that omission of the Management's Discussion and Analysis, the Government-Wide Statements and/or Infrastructure Reporting will not result in any sanctions or remediation, as such the Township has elected to omit these sections of the GASB 34 reporting format.

D. PROPERTY TAXES

Fremont Township levies a millage of 0.98060 mills for general operations, a millage of 0.96090 mills for fire protection and a millage of 0.48040 for first response. The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 28, at which point they become delinquent.

Receipts of current and delinquent property taxes are recorded as revenue in the year in which received. Isabella County, the county in which the Township of Fremont is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers. Delinquent personal property taxes are immaterial and are recognized as revenue in the year collected.

E. COMMON CHECKING

The General Fund and the Liquor Law Enforcement Fund share a common checking account. It is possible at certain times during the year, that one fund show a negative checking balance. When this occurs, this represents a type of temporary interfund borrowing.

F. RESERVATIONS OF FUND BALANCE

Reservations of fund balance are established to identify (1) third-party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with the basis of accounting utilized by the Township and state law for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information at the function level. The legal level of budgetary control adopted by the board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level for the general fund and all special revenue funds. State law requires the Township to have its budget in place by March 31. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. The Township amended its budget at various times during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated based on the level of control exercised over the adopted budget. Budgets are adopted at the function/activity level for the funds. Disclosure of all unfavorable appropriation variances based on the level of control exercised over the adopted budget is as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Township Board	7,900	18,790	10,890
Elections	2,250	5,081	2,831
Treasurer	12,000	12,388	388
Cemetery	20,000	22,500	2,500
Right of Way	3,750	3,902	152

A budget was prepared by the Township for the Governmental Funds, however, fund balance was not included and no amendments were made to the budget. Prior year actual amounts for revenue and expenditures were included. Comparisons of actual expenditures and revenues to

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE 3 - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; bankers' acceptances of United States banks, obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investment by a public corporation; obligations described above if purchased through an inter-local agreement under the urban cooperations act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118, and the investments pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it.

At year end, the carrying amount of cash and investments held by the Township of Fremont was \$324,321, as follows:

	Governmental	Fiduciary	
	Funds	Funds	Total
Petty Cash	\$ 300	\$ -	\$ 300
Deposits with financial institutions:			
Cash in Checking	171,214	1	171,215
Cash in Savings	125,819	-	125,819
Certificates of Deposit	26,987	-	26,987
	<u>\$ 324,320</u>	<u>\$ 1</u>	<u>\$ 324,321</u>

On March 31, 2007 the carrying amount of deposits with financial institutions was \$324,021 of which \$235,782 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$88,239 was uninsured and uncollateralized. Actual deposits with financial institutions were \$332,127 of which \$225,877 was covered by the FDIC and \$106,250 was uninsured and uncollateralized.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Due to varying cash flows the Township's deposits with financial institutions were higher during the year than at year end. Therefore, there may have been more deposits that were uninsured and uncollateralized at points during the year.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations. As of year end, the Township did not have any investments that would be subject to rating.

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Concentrations of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business in accordance with Board approved policy.

The Township of Fremont's cash and investments during the year consisted of cash in checking accounts and certificates of deposit. This is in accordance with statutory authority and within local unit authorization.

NOTE 4 - FUND EQUITY - RESTRICTED FUND BALANCE

Fire Fund

Fire Fund fund balance of \$18,839 is restricted for Fire Department operations.

First Response Fund

First Response Fund fund balance of \$41,993 is restricted for emergency services operations.

Planning and Zoning Commission Fund

Planning and Zoning Commission Fund fund balance of \$6,686 is restricted for Planning and Zoning operations.

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE 5 - JOINT AUTHORITY - JOINT CONSTRUCTION CODE AUTHORITY

Fremont Township participates in a joint authority with Nottawa, Rolland, Deerfield, and Sherman Township in the Joint Construction Code Authority, which is established as a distinct and separate entity. This is set up specifically to administer and enforce the building and construction codes adopted by each of the participating local units of government; to set, collect and deposit fees for permits and inspections; and to hire sufficient building inspectors. Five townships participated in the fund at March 31, 2007.

The Township made no contributions to the Fund for the past fiscal year. The fund was established with donated funds and currently continues with its own revenues and additional donations. If the fund should experience a budgeted shortfall, each of the participating townships is responsible for submitting funds to cover that shortfall.

Audited financial information for the Joint Construction Code Authority for the year ended March 31, 2007 (latest available audited financial statements) is as follows:

Total Assets	\$ 5,435
Cash Basis Fund Balance	5,435
Excess Revenue Over (Under) Expenditures	(3,236)

NOTE 6 - PENSION PLAN

Fremont Township participates in a defined contribution pension plan administered by Municipal Retirement Systems, Inc. The plan is available for all Township Officials and employees. Contributions to the Fremont Township Money Purchase Pension Plan are based on a percentage of compensation as stated in the Township Pension Ordinance adopted July 24, 1998 with an effective date of September 29, 1998. The Township is contributing the employer share to the pension plan. Each official or employee covered by this plan will have a vested right or interest immediately from the date such person first participates in the plan.

For the year ended March 31, 2007, the Township made the required 20 percent contribution of \$6,692. The value of the plan's assets and vested benefits as of March 31, 2007 is \$31,017

FREMONT TOWNSHIP, ISABELLA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE 7 - NOTE PAYABLE

In October 2004, Fremont Township obtained a mortgage with Isabella Bank and Trust for the purchase of a First Response rescue vehicle. The original amount of the mortgage, \$31,783, is payable over 5 years at 3.4 percent interest. The debt service requirements to maturity are as follows:

<u>Year Ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2006	\$ 5,939	\$ 1,080	\$ 7,019
2007	6,140	879	7,019
2008	6,349	670	7,019
2009	6,565	454	7,019
2010	<u>6,789</u>	<u>231</u>	<u>7,020</u>
Total	<u>\$ 31,782</u>	<u>\$ 3,314</u>	<u>\$ 35,096</u>

NOTE 8 - RELATED PARTIES

The Township entered into transactions with Winn Tax Service during the year ended March 31, 2007. The owner of Winn Tax Service is a board member of the Township. The dollar amount of the transactions were immaterial.

The Township entered into transactions and uses Dreamt Software during the year ended March 31, 2007. The owner of Dreamt Software is a board member of the Township. The dollar amount of the transactions were immaterial.

NOTE 9 - CONTINGENCIES

Litigation

Fremont Township is subject to various legal proceedings arising in the course of providing services to the public. However, in the opinion of Fremont Township's attorney and management, the resolution of these matters may not have a material effect, if any, on the financial condition of Fremont Township.

REQUIRED SUPPLEMENTAL INFORMATION

FREMONT TOWNSHIP, ISABELLA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
YEAR ENDED MARCH 31, 2007

Schedule 1

	Original Budget	Final Amended Budget	Actual
Revenue			
Property Taxes	\$ 34,625	\$ 34,625	\$ 39,612
Intergovernmental Revenue	98,702	98,702	97,593
Interest Earnings	2,500	2,500	6,224
Charges for Services	9,000	9,000	6,778
Rents and Royalties	8,000	8,000	9,440
Donations	100	100	-
Reimbursements	2,500	2,500	811
Other	-	-	83
Total Revenue	155,427	155,427	160,541
Expenditures			
GENERAL GOVERNMENT			
Township Board	7,900	7,900	18,790
Supervisor	6,600	6,600	6,010
Assessor	9,000	9,000	6,667
Elections	2,250	2,250	5,081
Clerk	9,500	9,500	8,562
Board of Review	1,000	1,000	630
Treasurer	12,000	12,000	12,388
Building and Grounds	22,000	22,000	21,693
Cemetery	20,000	20,000	22,500
Total General Government	90,250	90,250	102,321
PUBLIC WORKS			
Highways and Streets	40,000	40,000	10,859
Right of Way	3,750	3,750	3,902
Street Lights	3,500	3,500	3,445
Drains	750	750	124
Total Public Works	48,000	48,000	18,330
CULTURE AND RECREATION			
Library	4,800	4,800	4,737
Parks	1,500	1,500	1,350
Total Culture and Recreation	6,300	6,300	6,087

FREMONT TOWNSHIP, ISABELLA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
YEAR ENDED MARCH 31, 2007

Schedule 1

	Original Budget	Final Amended Budget	Actual
Expenditures (Continued)			
OTHER FUNCTIONS			
Fringe Benefits	\$ 8,450	\$ 8,450	\$ 7,469
Insurance Not Charged of Specific Activities	<u>8,500</u>	<u>8,500</u>	<u>7,830</u>
Total Other Functions	<u>16,950</u>	<u>16,950</u>	<u>15,299</u>
Total Expenditures	<u>161,500</u>	<u>161,500</u>	<u>142,037</u>
Excess Revenue Collected Over (Under)			
Expenditures Paid	(6,073)	(6,073)	18,504
Other Financing Sources (Uses)			
Operating Transfers Out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(5,000)</u>
Excess Revenue Collected Over (Under)			
Expenditures Paid and Other Financing Uses	<u>\$ (26,073)</u>	<u>\$ (26,073)</u>	<u>\$ 13,504</u>

FREMONT TOWNSHIP, ISABELLA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON STATEMENT - FIRE FUND
YEAR ENDED MARCH 31, 2007

Schedule 2

	Original Budget	Final Amended Budget	Actual
Revenue			
Property Taxes	\$ 30,000	\$ 30,000	\$ 33,249
Intergovernmental Revenue	-	-	288
Charges for Services	2,000	2,000	500
Donations	1,000	1,000	700
Reimbursements	-	-	1,940
Miscellaneous	-	-	1,170
Total Revenue	33,000	33,000	37,847
Expenditures	44,000	44,000	38,080
Excess Revenue Collected Over (Under) Expenditures Paid	(11,000)	(11,000)	(233)
Other Financing Sources (Uses)			
Operating Transfers In	15,000	15,000	5,000
Excess Revenue Collected Over (Under) Expenditures Paid and Other Financing Uses	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 4,767</u>

FREMONT TOWNSHIP, ISABELLA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON STATEMENT - FIRST RESPONSE FUND
YEAR ENDED MARCH 31, 2007

Schedule 3

	Original Budget	Final Amended Budget	Actual
Revenue			
Property Taxes	\$ 15,000	\$ 15,000	\$ 16,621
Interest Earnings	65	65	92
Charges for Services	4,800	4,800	5,800
Donations	300	300	-
Reimbursements	500	500	-
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>675</u>
Total Revenue	25,665	25,665	23,188
Expenditures	<u>19,019</u>	<u>19,019</u>	<u>12,192</u>
Excess Revenue Collected Over (Under) Expenditures Paid	<u>\$ 6,646</u>	<u>\$ 6,646</u>	<u>\$ 10,996</u>

OTHER SUPPLEMENTAL INFORMATION

FREMONT TOWNSHIP, ISABELLA COUNTY
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING
 FROM CASH TRANSACTIONS
 NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2007

Schedule 4

	Planning and Zoning	Liquor Law Enforcement	Total Nonmajor Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 6,732	\$ -	\$ 6,732
Certificates of Deposit	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 6,732</u>	<u>\$ -</u>	<u>\$ 6,732</u>
Liabilities			
Payroll Taxes Payable	\$ 46	\$ -	\$ 46
Fund Balances			
Reserved	6,686	-	6,686
Unreserved - Undesignated	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 6,732</u>	<u>\$ -</u>	<u>\$ 6,732</u>

FREMONT TOWNSHIP, ISABELLA COUNTY
 COMBINING STATEMENT OF REVENUE COLLECTED, EXPENDITURES
 PAID, AND CHANGES IN FUND BALANCE
 NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2007

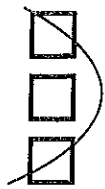
Schedule 5

	Planning and Zoning	Liquor Law Enforcement	Total Nonmajor Governmental Funds
Revenue			
Intergovernmental Revenue	\$ -	\$ 966	\$ 966
Interest Earnings	16	-	16
Charges for Services	975	-	975
Donations	4,000	-	4,000
Total Revenue	4,991	966	5,957
Expenditures			
PUBLIC SAFETY	-	966	966
PLANNING AND ZONING	3,147	-	3,147
Total Expenditures	3,147	966	4,113
Excess Revenue Collected Over (Under)			
Expenditures Paid	1,844	-	1,844
Other Financing Sources (Uses)			
Operating Transfers In	-	-	-
Excess Revenue Collected Over (Under)			
Expenditures Paid and Other Financing Uses	1,844	-	1,844
Fund Balance - April 1	4,842	-	4,842
Fund Balance - March 31	\$ 6,686	\$ -	\$ 6,686

FREMONT TOWNSHIP, ISABELLA COUNTY
OTHER SUPPLEMENTAL INFORMATION
GENERAL FIXED ASSETS
YEAR ENDED MARCH 31, 2007

Schedule 6

	Balance 4/1/05	Additions	Deletions	Balance 3/31/07
Assets				
Land	\$ 51,171	\$ -	\$ -	\$ 51,171
Building	72,347	-	-	72,347
Office Furniture and Equipment	5,521	-	-	5,521
Fire Department Vehicles	113,185	-	-	113,185
Fire Department Equipment	87,945	-	-	87,945
First Response Fund Vehicles	66,203	-	-	66,203
First Response Fund Equipment	<u>20,235</u>	<u>-</u>	<u>-</u>	<u>20,235</u>
Total Assets	416,607	-	-	416,607
Accumulated Depreciation	<u>159,198</u>	<u>68,429</u>	<u>-</u>	<u>227,627</u>
Total Assets, net of Accumulated Depreciation	<u>\$ 257,409</u>	<u>\$ (68,429)</u>	<u>\$ -</u>	<u>\$ 188,980</u>



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COMPANY P.C.

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 12, 2007

Township Board
Fremont Township
Isabella County, Michigan

We have recently completed our audit of the financial statements of the Township of Fremont for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Fremont in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help to assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Township Board
Fremont Township
Isabella County, Michigan

An independent auditor's objective of an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at a reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The Township has chosen the cash basis presentation of its financial statements which is not in accordance with generally accepted accounting principles. Additionally the Township has chosen to omit those items of GASB 34 that have been allowed by MCGAA No. 7. Please note that with the issuance of MCGAA No. 13, for the Township's 2009 year end it will be necessary for the Township to present modified accrual fund statements as well as accrual basis government wide statements in full compliance with GASB 34.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

The following are the issues noted per the above referenced topics:

During the course of the audit we had discussions with the Township Clerk. He was in attendance at the presentation of SAS #112 in which we discussed the impact of the standard on this report.

Township Board
Fremont Township
Isabella County, Michigan

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/
EFFICIENCY**

In planning our audit of the financial statements of Fremont Township, as of and for the year ended March 31, 2007, in accordance with auditing standard generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing out auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management overrides of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Significant Deficiencies

Community Building Rental Deposits (Repeated Comment)

During the testing of rental deposits payable, noted that the documentation used to keep track of the deposits being received and disbursed is not sufficient to readily substantiate the balance remaining in the liability account at year-end. We recommend that an ongoing document be prepared and used to account for security deposits as they are received and disbursed and as the rentals are reserved and take place.

Township Response

The Township intends to evaluate the procedures currently established for the security deposits received and disbursed and to modify the procedures as necessary.

Township Board
Fremont Township
Isabella County, Michigan

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/
EFFICIENCY (CONTINUED)**

Significant Deficiencies (Continued)

Budget Requirements

P.A. 2 of 1968 as amended, provides that a local unit's budget include the amount of surplus or deficit that has accumulated from prior fiscal years, (i.e. Fund Balance). It was noted during our audit that the Townships' budget document did not include beginning or ending fund balance.

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. It was noted during our audit that the Township incurred expenditures in excess of the amount appropriated as noted in Note # 2 in the Notes to the Financial Statements.

The budget adopted by the Township should include all required components and should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes.

Township Response

The Township will take great care in creating the budget document and monitoring the budget on a monthly basis to ensure that expenditures do not exceed appropriations as required by P.A. 2 of 1968.

General Ledger

During the planning stage of our audit there was a misunderstanding resulting from the documentation and financial reports requested for a biennial audit. While we do not audit the prior year, we must perform limited tests of opening balances for the current year under audit and therefore, require certain reports including a separate trial balance for both the current and prior years.

When we requested separate financial reports for the fiscal year ended March 31, 2007 it was noted that the accounting system allowed for multiple accounting periods to be closed at once, thereby resulting in two years of accounting information being locked in the same data file. As a result a trial balance for the fiscal year end under audit could not be provided. A trial balance for the year ended March 31, 2007 was derived using a combination of the Clerks' and Treasurers' records. However, we did not examine the reliability of interim reports and therefore recommend that the Township investigate the reliability of interim reports as well as take care in ensuring that account balances and financial reports for any given accounting period can be examined.

Township Response

The township will investigate the capabilities of the accounting system and take care to ensure that proper period end closings take place.

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/
EFFICIENCY (CONTINUED)**

Significant Deficiencies (Continued)

Segregation of Duties

Separation of duties between personnel who authorize transactions and persons who have control over related assets does not exist to the extent possible in larger entities with several employees involved in the accounting process.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of accounting duties substantially increases control over errors without duplication of effort.

The desired separation of duties cannot be achieved with only one or two employees involved. The careful and consistent oversight provided by the Township Board appears to offset the inability to separate various accounting functions and should be continued. The Township Board maintains monitoring of the current operations. Operating results are reviewed monthly which provides significant oversight for the inspection of any irregularities and discrepancies. The cost for additional staff to enable separation of duties is likely not economically justified and therefore, the Township Board's oversight is assisting in this internal control function. Our finding is intended only to point out that this element of internal control separation of duties does not, and at present cannot exist.

Township Response

The Township is aware of this control deficiency, however it is not economically feasible to make changes to achieve text book segregation of duties. The Township Board, however, performs oversight duties of all transactions, including approval of all disbursements and will continue this oversight to ensure that all transactions are valid and properly recorded in the general ledger.

A Material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Material Weaknesses

Financial Accounting and Reporting

Management relies on the Township's auditors to prepare the formal financial statements at fiscal year-end. Therefore, as part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for approval by management and the board.

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/
EFFICIENCY (CONTINUED)**

Material Weaknesses (Continued)

Financial Accounting and Reporting (Continued)

This is a conscious and practical approach to preparing the financial statements since the Township has determined that the costs to establish internal controls over financial reporting and to develop the skills and knowledge of its personnel in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional standards, this situation meets the definition of a material weakness in internal control.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements by specifically reviewing the audited financial statements with management. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare financial reports to ensure accurate information is provided.

Township Response

The Township understands that the Financial Statements of the Township are the responsibility of management. Furthermore, when assessing the costs associated with establishing controls over formal financial reporting, the Township has decided to rely on their auditor's for preparation of the financial statements. The Township will routinely review the internal controls in place to prepare financial reports to ensure accurate information is provided.

Other Matters

Firefighter Wages (Repeated Comment)

It was noticed during the audit that payments to firefighters for their attendance at meetings and fire runs were coded to contracted services and treated as payments to contractors. Although the IRS does not have any specific guidance for firefighters, they have prepared a 20 point checklist of items to help determine whether a person is an employee or a contractor. We suggest that the Township investigate the relationship between the firefighters and the Township and make a determination as to whether the firefighters are contractors or employees.

Due to the controversial nature of relationships between volunteer firefighters and Townships, we suggest that the Township evaluate guidance from the IRS and the MTA, make it's own determination and maintain documentation of this decision for future audits or IRS investigations.

Township Board
Fremont Township
Isabella County, Michigan

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/
EFFICIENCY (CONTINUED)**

Other Matters (Continued)

Firefighter Wages (Continued)

Township Response

The Township will investigate the issue then document the Townships' determination based on that information.

Account Number Structure

During disbursement testing, we noted that the Fire Fund, First Response Fund, and the Planning/Zoning Fund expenditure account classifications in the general ledger do not contain the required activity in level two of the account number structure.

Township Response

The Township will review their chart of accounts and make the necessary changes required to be in compliance with the mandated State Chart of Accounts.

We did not audit the Townships responses and, accordingly, we express no opinion on it.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied to our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated September 12, 2007.

SUMMARY

We would like to thank the Township personnel and Officials for the cooperation we received from them throughout the course of the audit. We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any questions that you might have at your convenience.

This communication is intended for the information of the members of the Township Board, management, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Page, Olson & Company